

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-10 NEA-06 NSC-07 NSCE-00

CIAE-00 INR-11 NSAE-00 RSC-01 FEA-02 L-02 CIEP-01

OMB-01 TRSE-00 SCI-03 PRS-01 PM-03 SAM-01 DRC-01 /068 W

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R 091714Z SEP 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3702

INFO AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

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LIMDIS

KUWAIT ALSO PASS DOHA

FROM AMBASSADOR STERNER

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: ABU DHABI OIL NEGOTIATIONS

REF: LONDON 11494

1. BOYER OF EXXON INFORMED AMBASSADOR STERNER AND EMB-
OFF KAUFMAN TODAY THAT OVER WEEKEND SHAIKH ZAYID
APPROVED ADPC BUYBACK OFFER FOR THIRD QUARTER OF 1974,
THEREBY RESOLVING LAST ISSUE FOR NEW "INTERIM" AGREEMENT
GIVING ABU DHABI 60 PERCENT PARTICIPATION. COMPANIES
AGREED TO BUY BACK MOST OF REMAINDER (SEE REFTEL) OF
GOVERNMENT-OWNED THIRD QUARTER OIL AT PRICE WHICH WOULD
MAKE AVERAGE FOR ALL BUYBACK OIL AT 93 PERCENT OF POSTED.
SINCE ADPC HAD AGREED EARLIER TO TAKE BACK 300,000 BBLS/
DAY AT 94.8 PERCENT FIGURE, AGREEMENT ON 250,000 BBLS/
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DAY OR MORE OF REMAINING 300,000 BBLS/DAY WILL MEAN THIS

AMOUNT WILL BE BOUGHT AT PRICE CONSIDERABLY BELOW 93 PERCENT. CREDIT TERMS ARE SIXTY DAYS.

2. WITH THIS ISSUE SETTLED OTHER ASPECTS OF AGREEMENT FELL RAPIDLY INTO PLACE. COMPANIES AGREED THAT ORIGINAL BUYBACK ARRANGEMENT FOR PART OF GOVERNMENT-OWNED OIL AT 94.8 PERCENT PRICE WILL BE ONLY PART OF DEAL PUBLICIZED. LOWER PRICE FOR REMAINING GOVERNMENT-OWNED OIL WILL NOT BE MADE PUBLIC BUT WILL OBVIOUSLY SOON BECOME KNOWN.

3. OWNERS SEEMED PLEASED AT DEAL. THEY ASSUME ADMA WILL QUICKLY REACH AGREEMENT ALONG SIMILAR LINES. BOYER DID NOT THINK ABU DHABI WOULD RAISE CURRENT 1.67 MILLION BBLS/DAY OVER PRODUCTION LEVEL BUT THOUGHT IT POSSIBLE ADPC MIGHT BE CUT BACK A LITTLE AND ADMA PRODUCTION EXPANDED PROPORTIONATELY.

4. COMMENT. AGREEMENT STRIKES US AS FAVORABLE IN THAT IT REPRESENTS DOWNWARD MOVEMENT IN TERMS OF PRICE FROM KUWAIT DEAL. ADGOVERNMENT UNDERSTANDABLY SENSITIVE ABOUT IT WITH VIENNA OPEC MEETING COMING UP IN FEW DAYS. WE URGE WASHINGTON OFFICIALS TO RESIST TEMPTATION TO MAKE ANY PUBLIC STATEMENTS ABOUT AGREEMENT, AT LEAST UNTIL AFTER OPEC MEETING AND UNTIL TERMS OF AGREEMENT LEAK OUT THROUGH OTHER SOURCES.

SOHM

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